Author's accepted version. Final version:
Long, Tom, "Central America," in Godfrey Baldacchino and Anders Wivel, eds. Handbook on the Politics of Small States. Edward Elgar Publishers. ISBN: 978-1-78811-292-5

Central America

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Abstract

Central America is a microcosm of the opportunities and challenges of small states. Though the region's states have face similar pressures – smallness, proximity to an oft-interventionist superpower and myriad transnational challenges – their political and economic developments have followed remarkably different paths. The seven small states in the region – Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama – exhibit tremendous differences in state capacity, internal security, human development and international influence. To understand Central American variation, one must recognise both agency and asymmetry. This chapter discusses the historical context of Central American state formation, political development and international relations. We then turn to the domestic and international characteristics and challenges of these states before assessing their abilities to affect domestic developments and international contexts.

Keywords: Central America, asymmetry, agency, small states, development, security

Introduction

The seven states of Central America often portray themselves as a bridge: between North and South America and between the Atlantic and Pacific, which the Central American isthmus divided with a strip of land that is, at points, only some 50 kilometres wide. Although the region is, in English-language commentary, often used to invoke poverty, state weakness and external intervention, a closer examination reveals just how much variation Central America holds. What economic historian Victor Bulmer-Thomas (1987, p. xiv) wrote three decades ago still holds "the region exhibits both conformity and diversity and the problem facing an author is to see the one without losing sight of the other."

Central America is a microcosm of the opportunities and challenges of small states and its diversity offers a great deal to their study. The region's states faced similar pressures - smallness, proximity to an oft-interventionist superpower and myriad transnational challenges - their political and economic developments have followed remarkably different paths. In the most basic terms, the richest Central American country (Panama) has a per capita income nearly seven times higher than the poorest (Nicaragua), a disparity that mirrors the divide between Latvia and Timor-Leste. Divergent paths are reflected in tremendous differences in state capacity, internal security, human development and international influence. This variation has been affected, but not determined, by great powers. To understand Central American variation, one must understand both agency and asymmetry.

All seven states in the region – Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama – can be understood as small states under the definition used in this volume: they are constrained by limited domestic size and capacities and are shaped by their role as weaker partners in asymmetrical international relationships (see Table 1). In this chapter, we briefly discuss the historical context of Central American state formation, political development and international relations. We then turn to the domestic and international

characteristics and challenges of these states before assessing their abilities to affect domestic developments and international contexts.

Table 1: The small states of Central America.

	Resident Population[a]	Land Area (sq km) [a]	GDP per Capita (US$)[b]	Currency[a]	Year of Independence[b]
Belize	360,346	22,806	4,905	Belize dollar	1981
Costa Rica	4,930,258	51,060	11,630	Colón	1821[c]
El Salvador	6,172,011	20,721	3,889	US dollar	1821[c]
Guatemala	15,460,732	107,159	4,470	Quetzal	1821[c]
Honduras	9,038,741	111,890	2,480	Lempira	1821[c]
Nicaragua	6,025,951	119,990	2,221	Córdoba	1821[c]
Panama	3,753,142	74,340	15,087	Balboa/US dollar	1903

[a] Source: CIA World Factbook
[b] Source: World Bank national accounts, current US$
[c] Independence from Spain as Central American Federation; formal independence under current names c. 1838.

Historical background

With the exception of Belize, which became a British possession and only gained independence in 1981, the states of Central America were Spanish colonies. Before colonisation, the regions to the north had large and advanced indigenous civilisations, primarily Mayan. The southern region of the isthmus was home to important though smaller coastal indigenous communities. Colonisation and the slave trade led to transnational Afro-Caribbean communities that predate nation-state borders. Social marginalisation of both meso-American indigenous and black populations remains a core social challenge. The isthmus was largely a colonial backwater, despite scattered mining. However, narrow sections of the isthmus were important entrepôts and connections for the transport of goods from the Pacific Coast of South America to the metropole. This created coastal elites in a few places, notably in what would become Panama.

If the history of colonial control was broadly similar, Central American states had different patterns of experiences in the immediate post-independence period. Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica gained independence alongside Mexico, and were briefly claimed as part of the new Mexican Empire. After the fall of the Mexican emperor Agustín Iturbide, those states formed the Central American Federation centred in Guatemala City. The federation was never cohesive, but gained international recognition from the British and United States (Smith, 1963) before effectively dissolving in the late 1830s. As the former colonial administrative centre and largest province, Guatemala led the federation; Costa Rica remained most distant (Soto, 1991). Conversely, Panama became part of Simón Bolívar's Gran Colombia, and later part Colombia. It would not gain independence for another eight decades. Intra-Central American rivalries were common, as were feuds between Liberals and Conservatives, indigenous and *criollos*, and landlords and peasants. Forced plantation labour and press-ganged military and militia service were a common, and resented, form of repression of the indigenous population at independence and a century afterwards (Dunkerley, 1988, pp. 4–16).

National integration, initially minimal, gradually emerged in the late 19th century, led in part by export-driven coffee plantations under a new market-driven elite. Mahoney (2001)

emphasises this period as formative, though with different effects among the Central American republics. The small states' domestic disputes invited external meddling, despite minimal resources and scant markets. Central America was as an important site of US-British contestation, as well as US expansionist tendencies, including armed interventions by privately financed "filibusters" during the mid-19th century, some of whom hoped to bring Central America into the United States as slave states (Findling, 1987; Leonard, 1991, pp. 15-34). Less noted is that the states often intervened in one another's affairs, leading occasionally to war.

The state-to-state Anglo-American contest focused on dreams of an interoceanic canal. An emerging regional parity was marked by the 1850 Clayton-Bulwer Treaty, in which the US and Britain agreed to the joint construction and control of any future canal; and signed without Central American backing (Bourne, 1961; Findling, 1987) However, that treaty soon came under pressure from the US public and nationalist politicians little disposed to legitimise British power so close to US shores (Sexton, 2011). US economic influence was expanding quickly, notably through Cornelius Vanderbilt's and Minor Keith's railroads and investments (Findling, 1987; Greene, 2009). That later would lead to the long-influential United Fruit Company presence in the region. Still, British influence persevered, with formal empire in Belize and a broader coastal protectorate covering parts of Nicaragua and Honduras.

Growing US power and expansionism after the Civil War renewed clashes and by the 1890s, the British were retrenching and "passing the baton" in Central America to the assertive United States. US diplomats continued denouncing the Clayton-Bulwer Treaty while making entreaties to Central Americans for canal rights on their own terms (Findling, 1987, pp. 36-40; Zeren & Hall, 2016). The British finally acquiesced, and the Hay-Pauncefote Treaty of 1900 gave the United States unilateral rights for canal construction, signalling a definitive shift in power. The effect of the power transition for Central Americans was ambivalent. Both the British and the Americans were disdainful of Central American sovereignty when it impinged on their investments or security concerns. Ultimately, though, the US role would be transformative. As a proximate power, the US became an arbiter of domestic disputes. This role was enforced by frequent Marine deployments and several long-lasting occupations, especially in Nicaragua (McPherson, 2014). But the most enduring exercise of US power was to support Panamanian independence from Colombia in tacit exchange for an unequal treaty to build a canal and establish a military and administrative presence in the heart of the new country (Major, 1993). The US role reshaped Central American institutions in far-reaching ways: with stated progressive aims, the United States advocated elections (of questionable fairness) and professionalised national militaries to replace militias (Schoultz, 2018). Given the weakness of counterweights, militaries became crucial powerbrokers in Honduras, Guatemala, Nicaragua, El Salvador, and (somewhat later) Panama, independently or in collaboration with economic elites. Only Costa Rica largely avoided the curse of military rule (Pérez, 2015).

Most of Central America followed the United States into World War I with nominal declarations of war (Rinke, 2017). Their links to the US economy made the Great Depression a punishing experience, but one that spurred urbanisation and social transformation. The region again followed the United States into World War II despite some authoritarian leaders' initial fascist sympathies and important German populations. Proximity and wartime concentration weighed heavily. The contrast between purported democratic war aims and US-friendly authoritarian rulers sat uneasily with a nascent urban class. Combined with post-war economic pressures, anti-dictatorial movements emerged (Bethell & Roxborough, 1997; Leonard, 1984). Most importantly, one movement unseated military rulers in Guatemala and elected centre-left leaders. For a brief period, these democrats organised a feared, if somewhat exaggerated, "Caribbean Legion" to topple authoritarians (Ameringer, 2010; Moulton, 2015). Soon, the

rising Cold War tide swamped this democratic spring. In 1954, Guatemalan President Jacobo Arbenz was ousted in a CIA-sponsored coup, returning the country to conservative civil-military dominance (Gleijeses, 1991).

The first decades of the Cold War, then, were marked by military rule. This was dynastic and personalist in Nicaragua, and by civil-military junta in El Salvador, Honduras and Guatemala. Panama experienced a rotation of populist elected presidents and elite-backed military coups under the shadow of the massive US presence, until a reformist military dictator took power in 1968. Again, only Costa Rica escaped, establishing a tradition of pragmatic, democratic centrism after a brief but bloody civil war in 1948 (Longley, 1997). Some regional cooperation re-emerged, namely the Central American Common Market, during the 1960s; but it was undermined by a 1969 war between El Salvador and Honduras. Integration would be reactivated in the 1990s with greater economic effects (Bulmer-Thomas, 1998).

If relative dictatorial stability marked the first two decades of the Cold War, the subsequent two decades saw explosive revolutionary and reactionary ferment; a Cold War frontline seen by Washington as crucial to reversing Soviet-Cuban gains. This was concentrated in Nicaragua, El Salvador and Guatemala, where civil wars led to hundreds of thousands of deaths during the 1970s and 1980s (LeoGrande, 1998; Rabe, 2011). In Nicaragua, the armed left gained power in 1979, but faced a US-backed counterrevolutionary attack (Pastor, 2002). El Salvador experienced death-squad violence amid shifting, military-dominated governments (Crandall, 2016). An outcast Guatemalan government launched a genocide against its largely indigenous peasantry despite the dubious threat from the armed left. Honduras remained under military rule, hosting large US security deployments. Panama's military rule became more reactionary and corrupt with the ascension of Manuel Noriega (Scranton, 1991). Costa Rica retained its democracy and played an outsized role in trying to mediate its neighbours' wars, sometimes putting it at odds with the United States (Aravena, 1989; Meyer, 1992).

The end of the Cold War ended Soviet and Cuban support and, more importantly, diminished the force of anti-communism on the right (Brands, 2010; Pastor & Long, 2010; Rabe, 2011). Later investigations showed that right-wing governments, militaries, and their shadowy allies were responsible for the vast majority of killings in Central America during these turbulent decades. Within a matter of years, intractable conflicts ended, elections were held, and formally democratic governments came to power in every country in Central America (Leogrande, 1990). In most cases, this was accompanied by a program of economic liberalisation (Lehoucq, 2012); the six Spanish-speaking countries launched the Central American Integration System (SICA) in 1991, promoting liberalisation and intra-regional trade (Sánchez, 2010).

Democratisation was celebrated, but it was clearly inadequate. Deep divisions remained, both in politics and socio-economically. In macroeconomic terms, "Most economies of the isthmus have fallen behind since 1980" (Lehoucq 2011, pp. 98). Greater external openness and some successes in export diversification and attracting investment have not produced per capita growth in most countries (Condo, Colburn, & Rivera, 2005, pp. 5–7). There has been little redress of the socio-economic inequalities that broadened the revolutionary left's appeal. Many high-level officials involved in the conflicts' massive human rights violations have escaped justice, despite truth commissions and transitional justice frameworks.

Domestic characteristics

Elections and formal democratisation have not been a panacea for Central Americans. The supposed benefits of smallness for democratic communalism – proximity to and accountability of ruling elites – do not materialise when societies are so unequal that the majority is marginalised from the democratic process. To a great extent, that has been the case in

Honduras, Guatemala and Nicaragua; in El Salvador, economic improvements have been offset by skyrocketing crime. Both in terms of democracy and economic growth, Costa Rica and Panama have performed relatively well. Elsewhere, as Lehoucq (2011, p. 118) notes, democracy "has fused with some blatantly autocratic elements in the other republics of the isthmus." In recent years, elections have become less clean, particularly in Honduras and Nicaragua, and the playing field is heavily tilted. In Central America's poorest and most unequal states, democratic governance has done little to reduce poverty or improve the lives of most citizens. Inequality in the region has barely budged since 1980, despite modest improvements in extreme poverty rates and some social and health indicators (Lehoucq 2011, pp. 129-131), threatening to undermine satisfaction with democracy.

Central American states are marked (with important variation) by limited state capacity (Schneider, 2012). This has been exacerbated by recurrent inter-branch conflicts, sometimes solved through extra-institutional means (Lehoucq 2011, pp. 124-127). Politics are often marked by deep cleavages among the small elite groups, to the extent that high politics at times sparks notable intra-family divisions. While the smallness of this elite group can be exaggerated—references to the "14 families" in El Salvador remain a common trope—it is the case that Guatemala, Nicaragua, El Salvador, and Honduras are deeply unequal societies where both political and economic power are restricted to a narrow stratum. Even in wealthier Panama and Costa Rica, with more effective states, smallness means that elite circles are notably narrow. This has shaped government policies that "grant particularistic benefits to narrow groups" with taxation schemes "pocked full of particularistic holes" (Schneider 2012, p. 7).

Weak, elite-dominated state and fiscal structures have limited the development of a positive role for the state in society. With the exception of Costa Rica, Central American states spend far about half on social programs than their Latin American counterparts, per capita. For Honduras, Guatemala and Nicaragua, this figure has usually sat near 25 percent of the regional average (Lehoucq 2011, p. 130). This continued low social spending bucks a post-democratisation Latin American trend of greater expenditures, reduced extreme poverty, and better social outcomes in many countries (Levy & Schady, 2013). Smallness has meant that external actors have played outsize roles in shaping domestic policies. The United States and the Pan American Union, and even private foundations, played major roles shaping social policy. Today, international financial institutions, including the Inter-American Development Bank, compensate for low policy-planning capacity. However, external involvement has been a poor substitute for elite commitment to state institutions, with tax revenues as a percentage of GDP staying below the global average, with the exception of Belize. Outside of Costa Rica, states are "organisationally primitive" with "bureaucracies of inferior quality" that are highly subject to partisan vices (Lehoucq 2011, pp. 146-148). This weakness has exacerbated a number of the challenges the region's states face, discussed below.

Challenges

In domestic policy, the states of Central America share some common challenges, plus particular ones driven by differentiated levels of economic development. These include poverty, low human development, inequality, corruption, gender-based discrimination, and violence. Inequality, corruption, and violence also pose challenges to effective democratic governance in El Salvador, Guatemala, and Belize. Panama and Costa Rica face many challenges from their neighbours, though both still suffer high inequality exacerbated by rural/urban divisions. Guatemala, Honduras, Nicaragua, and El Salvador have only a fraction of the per capita income as their richer southern neighbours, while being characterised by similar maldistribution. These states rank near the bottom of the UN Human Development Index and have struggled to improve economic performance despite liberal macroeconomic

reforms that pleased international markets. The countries lack major industries and the environment for small business is disastrous: high insecurity, including extortion of small business owners, little certainty regarding rule of law, and weak domestic demand.

In addition, Nicaragua and Honduras face problems of democratic breakdown linked to incumbent authoritarianism. While Honduras democratised at the end of the Cold War, its elite structure shifted little and its military remained closely tied to politics (Pérez, 2015, Chapter 3). This became evident in 2009 when civilian elites and military officials conspired to oust elected President Manuel Zelaya, fearful of his drift to the left and plans to hold a referendum to remove presidential term limits. Political uncertainty struck again in 2018, when conservative incumbent Juan Orlando Hernández, having removed the prohibition on re-election without upsetting his right-wing allies, faced a closely disputed election against a leftist newcomer. With the election marked by major irregularities, Hernández closed ranks with the US government and security forces to thwart the electoral challenge and defy international pressure. The election and ensuing dispute were marked by deadly violence. In Nicaragua, former left-wing guerrilla Daniel Ortega returned to power via fair elections in 2006; but, as President, he has steadily undermined checks and balances while using quasi-legal tools to decimate the opposition. In 2018, responding to street protests, initially against social service cuts, his government resorted to state and para-state violence. Unlike the conservative, pro-US Hernández in Honduras, Ortega has faced US sanctions. While preserving formal democratic institutions and conducting elections, both have effectively undermined democracy and weakened already poor governance.

All the countries under review face problematic levels of corruption and growing levels of violence; but these problems are much worse in northern Central America. Violence has tormented Honduras and El Salvador, which have alternately suffered the world's highest per capita homicide rate in recent years. Sky-high murder rates, facilitated by impunity so widespread that virtually no one is prosecuted for murder, have made northern Central America as deadly as during the civil war period (Arnson & Olson, 2011). While much lower than Honduras and El Salvador, Guatemala and Belize have homicide rates several times the global average. Relatively peaceful Costa Rica and Panama have also seen growing problems of criminality, some of it with transnational dimensions. The violence is, in part, fuelled by transnational drug and arms trafficking, though it has deep roots in local problems and state weakness; and, in many cases, state complicity (Wolf, 2016). Violence and dismal economic prospects, fuel outmigration from northern Central America, which has complicated relations with their neighbors and the United States (Clemens, 2017; Swanson & Torres, 2016).

While the roots of this violence are complex, the size of the nations involved has complicated attempts to address it. Small domestic security institutions lack capacity; to gain capacity (and funding) they have looked abroad, sometimes in unison. The Honduran, Guatemalan and Salvadoran presidents launched an intermittent joint lobbying effort in recent years. While they gained attention in Washington, political support, and some new resources, what they (and their US counterparts) lacked was new ideas about how to deal with the problems bedevilling their countries. Nor is it clear that these leaders had the political will to tackle widespread impunity. Honduran and Guatemalan political elites have sought to disrupt international anti-corruption agencies (discussed below). Both countries' leaderships, along with El Salvador's, have undermined the rule of law to protect their own governments and the families of top leadership implicated in corruption. High-income Panama has also seen expansive corruption scandals, involving both its role as a shady centre for global tax evasion as evidenced in the Panama Papers, and of its political class; this has led to the prosecution of former president Ricardo

Martinelli in 2018. Costa Rica has largely remained at the margins of this region-wide epidemic.

International characteristics

As noted in the introduction to this volume, small states are gripped by the dilemma of gaining influence through alignment with great powers versus trying to maintain maximum autonomy. In the shadow of the United States, Central American states face an extreme version of this problem. Historically, almost all governments opted for at least tacit alignment (with notable exceptions like Nicaragua's Sandinistas) with Great Britain and then with the United States. Some leaders played the card of explicit pro-US alignment against their domestic opponents (Clark, 1992); only a few tried to maintain a delicate balance. Today, despite tends towards global multipolarity, Central America remains closely connected to the US. While those connections were once largely political, military, and via exports, today they run much deeper. Central American economies are highly interdependent with the US; their societies are linked through migration; and their security problems are deeply connected with transnational, US-tied illicit markets.

Given that context, it is perhaps unsurprising that these countries' foreign policies are deeply focused on Washington and profoundly impacted by this asymmetrical relationship. Central America's foreign policy concentration on Washington has rarely been reciprocated during the post-Cold War period. Before that, US attention was intense but sporadic, driven by a "whirlpool" of US perceptions of crisis and threat (Pastor, 2001). Furthermore, many of Central Americans' top concerns with the United States are seen by US politicians as essentially domestic—notably the status of large Central American migrant communities.

US-centrism exists economically as well. The economic relationship has been formalised in a free trade agreement between the region and the United States: the US-Dominican Republic-Central America Free Trade Agreement (referred to as CAFTA or CAFTA-DR). However, that trade pact captures only one aspect of economic interdependence – perhaps dependence for the northern states – on the United States. Remittances have been central to bilateral relations: as much as 20 percent of El Salvador's GDP has come from remittances in recent years, almost entirely from Salvadorans in the United States. This creates a vulnerability unique to small states in highly asymmetrical relationships. Seemingly minor changes in US domestic policy – such as the cancellation of certain protected immigration statuses – send economic and social shockwaves through the smaller country (Rathod, Stinchcomb, Garcia, et al., 2017). It adds to small states' vulnerability to external economic fluctuations, particularly US recessions, Federal Reserve borrowing rates and the price of oil, for which Central America is almost entirely dependent on imports.

One often overlooked aspect of this asymmetrical relationship is how it extends beyond executive branch diplomacy. Because Central America is usually a peripheral concern for the White House, individual members of Congress play outsized roles in the making of Central America policy. On the left, a handful of Congresspeople, in conjunction with human rights and labour NGOS, have sought to condition economic and security assistance and trade preferences on improvements in rights protections. On the right, vestiges of the 1980s anti-communist coalition and antagonists of Cuba's communist government denounce anything that resembles a leftward drift. In 2009, this translated into outspoken support from members of Congress for the military coup in Honduras (Ruhl, 2010). Powerful Congresspeople use their perches to shape consequential bureaucratic politics of the State Department, Pentagon, and Drug Enforcement Agency.

In one respect, at least, the vision of Central America as single-commodity exporters – pejoratively, 'banana republics' – is seriously out of date. While coffee, bananas, and other agricultural goods remain important, for much of Central America light manufacturing is now a greater source of exports and employment. Three-quarters of El Salvador's exports are manufactures. For Guatemala, Costa Rica and Honduras, the figure is nearly half. Central America is linked into global value chains much more deeply. Traditionally, manufacturing was focused on textiles, though investment has expanded several other internationalised enclaves of the economy. Costa Rica has upgraded to higher value-added exports and is known as a hub for computer giant Intel. Panama focuses on service exports connected to shipping, insurance, logistics, and banking, which have driven one of the Latin America's highest growth rates and made it one of the region's wealthiest per capita economies.

The region has at times attempted to rebalance its diplomatic relations to counteract the centrality of the northern power. Given its unique role in global trade transport, Panama has been, in many ways, the most globalised and cosmopolitan of the Central American countries. Costa Rica has also expanded and upgraded its diplomatic representation, and it has sought to play niche roles in international diplomacy. Mexico remains an important player in the north of Central America, particularly as it tightens controls over migration and illicit flows at its own southern border (Wilson & Valenzuela, 2014). Regional dynamics of migration have made Mexico both the major transit country and a destination for Central American migrants.

Central America has occasionally tried to revive aspects of its early 19th century confederation and to engage in regional and sub-regional organisations. Like two centuries ago, it has done so in ways that place few limits on state autonomy (Legler, 2013). Central American states have been active in the Organization of American States, though along as Malamud (2015) has argued, the most important role of this engagement has often been to provide legitimacy for incumbents in their domestic contexts. While a logic exists for small states to unite and improve their bargaining positions vis-à-vis their larger neighbors, that has rarely occurred in practice. Instead, Central American regionalism has often advanced with the participation or at least encouragement of the United States; such as under CAFTA. Without external impetus, Central American economies had largely been too small and concentrated to make integration a consistent priority, but that has somewhat changed over the past two decades. The revitalised Central American Common Market has lowered external tariffs and signed several free trade and investment agreements, including a 2012 association agreement with the European Union. Like many small states during recent decades, Central Americans have bet on a strategy of economic openness and integration with the global economy (Booth, Wade, & Walker, 2014).

The region has occasionally turned to global international organisations in search of influence and support, and to avoid the heavy hand of the US in bilateral relations. From 1989-1992, UN peacekeeping played an important role in the implementation of regional accords to end the civil conflicts (Koops, 2014). During the ensuing transitions to democracy, international election monitoring was a crucial part of achieving buy-in from formerly warring parties (Farer, 1996). Building on these experiences, Central Americans turned to international organisations to combat corruption and impunity. The most innovative effort was the International Commission against Impunity in Guatemala (Comisión Internacional contra la Impunidad en Guatemala, or CICIG). Granted unprecedented powers in Guatemala's legal system, the commission launched investigations and brought cases against powerful figures (Gutiérrez, 2016; Krylova, 2018). This made enemies in the political elite, spurring a clash with President Jimmy Morales. In response to similar problems in Honduras, public pressure forced the government to accept an OAS-led Support Mission Against Corruption and Impunity in Honduras (Misión de Apoyo contra la Corrupción y la Impunidad in Honduras, or MACCIH).

However, facing stronger and more cohesive elite opposition, this body never gained CICIG's powers, and entrenched elites set out to hobble it from its inception (Call, 2018).

Another important issue - in which smallness has been central - has been the One China Policy. For decades, Central America was a key reservoir of support for Taiwan/Republic of China. This was influenced by US pressure, especially from pro-Taiwan conservatives in Congress, by domestic anti-communist forces, and by economic statecraft (including now-exposed bribery). However, in 2007, Costa Rica changed its recognition to the People's Republic of China, lured by hundreds of millions of dollars in projects and trade. Central American countries began to re-evaluate their pro-Taiwanese positions. In 2017, Panama recognised the People's Republic of China; in 2018, El Salvador announced it would change its recognition (Tudoroiu, 2017). While Panama's announcement largely escaped censure, El Salvador was criticised by some in the US Congress, namely Senator Marco Rubio, who threatened to withhold aid. The US ambassador followed suit (Harris, 2018). Such is the asymmetry between the US and El Salvador that US officials insist San Salvador refuse to recognize the world's second largest economy: forty years after the United States changed its own recognition policy!

Challenges

Central American states face a host of international and transnational challenges. While many are not strictly related to size – larger states like Colombia and Mexico also face aspects of the same problems – asymmetry shapes the challenges and the options for response.

Transnational organised crime is the paradigmatic case. The very nature of this problem is shaped by asymmetry. Most 'product,' whether cocaine or trafficked persons, originates in weaker countries, destined for the larger markets of the United States, Europe, and increasingly Asia. The policy paradigm to address these illicit markets primarily originated in the large, powerful countries—though the elites of small Central American states have usually embraced militarised responses (Wolf, 2017). The major exception to this pattern regards the arms trade; many weapons used by illicit actors originate in legal or grey markets in the United States, which refuses to aggressively address the problem for domestic political reasons. The problem of illicit actors and violence is not a problem of smallness per se (Panama, Nicaragua and Costa Rica have been less affected); however, it is certainly a problem of asymmetries. For Central America, this asymmetry is even more complex; not only are these states in a weak position vis-à-vis the US, but they suffer the effects of changing enforcement in Mexico and Colombia. Central America's role has largely been as a transhipment point; due to its geography and low state capacity, trafficking through the region boomed when neighbouring Colombia and Mexico increased pressure on illicit groups. Some of these groups expanded operations in Central America to compensate (Dudley, 2011). The history of armed conflicts meant there were individuals experienced in violence and available, if dated, arms.

Though the image of mega-cartels that rival small states in their financing and armed force lingers, the reality of transnational organised crime has largely changed. Under a relentless, if ultimately counterproductive, attack on top leadership, large organisations have fragmented into smaller, locally oriented groups. While this largely was the intention of the so-called "kingpin" or "decapitation" policy, the effects have been disastrous. Local authorities were no better prepared to address smaller groups, who were often more violent in their competition for market share (Phillips, 2015). With less access to lucrative transnational shipment of drugs, their criminal activities have been locally pernicious. New fragments joined existing local gangs, especially in Honduras and El Salvador. Those gangs, called *maras*, are themselves connected to international asymmetries: founding members were deported from US cities, and they brought US gang cultures to Central American streets, where poverty and economic marginalisation created large pools of potential recruits (Wolf, 2017). Transnational

connections increased the flow of funds and drugs into local markets. In some cases, this has increased the ability to corrupt officials; in many others, state security forces have themselves become key operators in illicit markets. In extreme cases, police units have acted as murder squads for organised crime, with high-level involvement.

The limited resources of the small Central American states have made them dependent on external assistance to combat this wave of violence. Since 2008, this has been linked to the US-funded Central American Regional Security Initiative (CARSI), which has funnelled hundreds of millions of dollars to Central America. While meant to balance security and social programs, most funding has gone to security. Signs of increased US presence have been notable; most tragically, this included a May 2012 shootout in which US-assisted Honduras security forces killed a group of civilians. The US DEA was faulted in US government reports for poor practices and covering up its misdeeds.

Not all Central America's challenges are related to external asymmetries. The region faces vulnerabilities of environmental precariousness, linked to geographical smallness. The small countries have long faced difficulties in diversifying agricultural production, developing food self-sufficiency, and (especially in heavily populated El Salvador), meeting demands for arable land. These problems are complicated by anthropogenic climate change. Geography, poverty, and poor governance have made the region susceptible to natural disasters, especially hurricanes, earthquakes, and (in places) volcanic eruptions. Today, rising sea levels and flooding are near-term challenges, exacerbated by poor land use and conservation, leading to deadly catastrophes.

Conclusion: Pawns or powers?

The region's history highlights its vulnerability to external intervention. This shaped fundamental trajectories of Central American states: the independence of Panama, three decades of occupation in Nicaragua leading to an authoritarian dynasty, the overthrow of elected democracy in Guatemala, and the toppling of a dictator in Panama in 1990 (Rosenberg & Solís, 2012). Smallness made these interventions feasible for the great power, seemingly reducing the costs of action (though only in the short term). The feasibility of intervention meant that actors in Central American states looked to outside powers to resolve disputes or strengthen their hand against domestic opponents; this had deep, though hard to measure, effects on state-building projects at home. They also at times armed one another's domestic opponents and militarised intra-Central America disputes.

Still, there are important examples of effective action by Central American states. In some ways, Costa Rica has been nearest the role of the active small state that is highlighted in the literature. In the midst of Cold War pressures, astute Costa Rican statesmanship allowed the country to insulate itself from global and regional pressures, pursuing its own successful path (Longley, 1997). It sought out roles as an international mediator, most notably in the Central American conflicts of the 1980s. Taking advantage of its history of democratic practice in a region known for the opposite, Costa Rica has been a pro-democracy voice in the region and further afield. Likewise, it has drawn on its reputation for ecological tourism to play a more active role in international conversations around sustainable development. In another signal case, during the 1970s, persistent Panamanian pressure and an astute use of allies led to the reversion of the Panama Canal under favourable conditions (Long, 2014). Panama later resisted US pressures to maintain a substantial military presence in the Canal Zone; after nearly a century, US troops left Panama. Today Panama positions itself economically as a Central

American Singapore, though it faces growing international pressures over secretive banking practice, tax avoidance, and money laundering.

These instances suggest that international legal recognition, and the recourse it provided to international institutions, can provide useful tools for small states. However, it is clearly not sufficient. There are fewer and less notable examples of successes for the northern Central American countries. International influence has largely been factional. Honduras, for example, has successfully attracted resources, both military and humanitarian, from the US, but these have done little to improve general conditions there. During the 1980s, the Guatemalan government resisted international pressures; but it did so to carry out a genocide in the name of anti-communism. Nicaragua shunned US pressures during the 1980s with limited support from Cuba and the Soviet Union; it has done so again since the 2006 return of Daniel Ortega, initially with assistance from Venezuela. This has made the country a pariah, not an influential international actor.

In recent years, Central American leaders have attempted to increase cooperation. One impetus was economic. Central America gained substantial preferential access to the US market under the 1982 Caribbean Basin Initiative. However, businesses in the region wanted additional security for a broader range of exports; a free trade agreement also would lock in liberalisation and secure future market access. The proposed agreement provoked domestic division, but Central American governments strongly supported the proposal (Condo et al., 2005). The US responded positively in 2001, but complex US domestic politics on trade, and particularly Democratic opposition due to poor conditions for organised labour and environmentalists in much of Central America, delayed Congressional approval for years. Central America's "collective power" (Long, 2017b) seemed to bring positive effects under the Obama administration. Initially hesitant, the administration supported CAFTA in Congress. The US encouraged joint action from Honduras, Guatemala and El Salvador, hoping it would lead to reforms that would stem violence and northward migration; particularly of unaccompanied minors.

Cooperation has continued, but the results under the Trump administration have been less positive. Perhaps the most important case study regards these countries' diasporas in the US. Hundreds of thousands of Central American migrants lived in the US under the administrative designation of Temporary Protected Status. Despite the name, the status had been extended for decades, allowing migrants to work legally (and send remittances). Despite intense lobbying and attempts to ingratiate themselves to Trump – Honduras and El Salvador relocated their embassies to Jerusalem to back the controversial US move – the Trump administration cancelled TPS, setting up potential mass repatriations to countries ill prepared to reintegrate citizens (Rathod, Stinchcomb, De Luna, et al., 2017; Rathod, Stinchcomb, Garcia, et al., 2017). This underscores how US-Central American asymmetrical interdependence converts Central America's most pressing foreign policy issues into "intermestic" challenges that touch sensitive aspects of US domestic politics. Small size makes gaining US high-level policy attention difficult, while the issues' nature often draws in Congressional and bureaucratic opponents (Long, 2017a).

Given their similar histories and external conditions, but variation of social, political, and foreign policy outcomes, Central America should provide a rich area of study for students of small states in International Relations. The cases may be ideal for the middle-range theory the editors of this volume advocate (Baldacchino & Wivel, 2020). However, the region has garnered comparatively little attention from authors using a small states framework, perhaps due to the history and perception of US intervention. Certainly, international pressures have constrained foreign policy options, just as they have shaped the domestic political and

economic trajectories of these countries. But, as this chapter sketches, those pressures have not prevented diversity from emerging. Central America, then, reinforces the notion that effective international action requires effective governance at home. However, it shows this more through intra-regional variation than through generalisations about the region as a whole. In short, some small states in the region have historically maintained relatively strong state institutions. They have generally managed to pursue their interests effectively, despite difficult international constraints. However, for states that have lacked domestic capacity, the combination of smallness and weakness has led to incoherent international action at best and invitations (at times literal) for external intervention at worst. Small does not mean weak; however, small and weak almost certainly do mean vulnerable.

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